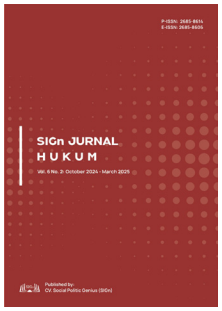

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Article Title

Requirements for Overhead Cost Claims and Construction Dispute Resolution Mechanisms in Indonesia: A Normative Study

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ABSTRACT

Overhead cost claim disputes are a crucial issue in Indonesia's construction industry. Therefore, this research aims to comprehensively analyze the legal aspects of overhead cost claims in construction contracts in Indonesia, encompassing the legal basis, types of claimable costs, legal conditions triggering claims, claim submission requirements, calculation methods, and dispute resolution mechanisms. A normative juridical method is employed to achieve this objective, using a statute, case, and conceptual approach. Data is sourced from statutory regulations, construction contract standards, jurisprudence, and legal literature and then analyzed qualitatively. Substantively, this research finds that the legal basis for overhead cost claims in Indonesia involves a complex interaction between Law Number 2 of 2017, Government Regulation Number 22 of 2020, the Civil Code, and contract standards such as FIDIC. Furthermore, overhead claims must be based on wanprestasi (breach of contract), force majeure, or variation orders and must meet the requirements of notification, documentation, accountable calculation, and causality. In terms of calculation, the accepted method must be by the principle of compensation. As for dispute resolution, it can be through mediation, conciliation, arbitration, or litigation, with the caveat that the selection of a mechanism depends on a case-by-case analysis. Overall, this research provides a comprehensive understanding of the legal aspects of overhead cost claims in construction contracts in Indonesia.

Keywords: *Claim Requirements; Construction Contract; Dispute Resolution; Overhead Costs.*

INTRODUCTION

The dynamics of the construction service industry in Indonesia present complex challenges in project cost management, where overhead costs are a crucial issue that often triggers disputes. These disputes arise from differing interpretations of the components and calculation methods of overhead costs and the legal basis underlying such claims. Unforeseen conditions, such as project delays and changes in work scope, further complicate the calculation and claiming of overhead costs, demanding careful management based on in-depth understanding.

The complexity of overhead cost claims in construction projects requires integrating experiential and personal construction knowledge (Piyumra & Disaratna, 2023), as revealed in various case studies, both internationally and in domestic energy projects. Lack of comprehensive documentation and unplanned design changes often affect costs and schedules, and trigger unavoidable claims (Tamang et al., 2024). This empirical experience underscores the urgency of an in-depth understanding of the technical and legal aspects of overhead cost claims.

Within Indonesian construction law, overhead costs are indirect costs supporting project implementation, whether incurred at the head office or on-site. Nevertheless, Law Number 2 of 2017 and its implementing regulations do not provide a comprehensive and operational definition regarding calculation standards and substantiation of overhead cost claims. This normative vacuum creates significant legal uncertainty, which can hinder the fair and efficient resolution of disputes. Clear

regulations are crucial to providing certainty for parties involved in construction contracts (Yanuar et al., 2025).

As reflected in jurisprudence, the practice of construction dispute resolution in Indonesia shows varying approaches by courts and arbitration bodies in adjudicating overhead cost claims. Some decisions emphasize the importance of complete documentation and proof of a causal relationship between the event that occurred and the additional costs claimed (Sumantri et al., 2025). In contrast, other decisions emphasise the construction industry's interpretation of contract clauses and standard practices (Wisnuaji et al., 2025). This diversity reflects the absence of uniform and binding standards in assessing overhead cost claims, exacerbated by the scarcity of legal literature that specifically and comprehensively addresses this issue in Indonesia.

Previous research, such as that conducted by Elbehairy and Nagy (2024), emphasizes conflict prevention strategies through careful planning and coordination in the project design and implementation phases. Meanwhile, Muhlis and Valdiansyah (2023) classify construction claims based on their causes, such as changes in work scope, design adjustments, or contract modifications. Unlike such studies, which focus on managerial and technical aspects, this research specifically examines the legal aspects of overhead cost claims within the context of regulations and jurisprudence in Indonesia.

This research aims to fill this gap by conducting an in-depth normative legal analysis of the requirements for overhead cost claims and construction dispute resolution mechanisms in Indonesia. This analysis is focused on three main dimensions. *First*, this research examines the legal interpretation of the components of overhead costs that can be claimed based on statutory regulations and standard clauses in construction contracts. *Second*, this research examines the standards of proof and calculation methodologies accepted and applied in Indonesian judicial practice, both in courts and arbitration. *Third*, this research evaluates the effectiveness of various construction dispute resolution mechanisms, including negotiation, mediation, conciliation, and arbitration, in the context of overhead cost claims. Through this comprehensive analysis, this research is expected to significantly contribute to developing construction law in Indonesia. The results of this research are also expected to serve as a basis for future regulatory improvements for greater legal certainty.

METHOD

This research employs a normative juridical approach, comprehensively integrating both a statute and case approach (Qamar & Rezah, 2020). The statute approach examines the hierarchy, harmonization, and substance of regulations related to overhead cost claims in construction contracts, ranging from the Civil Code

and Law Number 2 of 2017 to their implementing regulations. The case approach is utilized to conduct an in-depth analysis of legal reasoning and judicial considerations of court decisions and arbitration awards that handle disputes on overhead cost claims. Integrating these two approaches enables a holistic understanding of the legal dimensions of overhead cost claims within Indonesia's construction context.

The research data is sourced from primary and secondary legal materials (Sampara & Husen, 2016). Primary legal materials include statutory regulations in construction services, clauses within standard construction contracts applicable nationally and internationally (such as FIDIC), and court decisions and arbitration awards directly relevant to overhead cost disputes. Secondary legal materials encompass construction law literature, scholarly journals, textbooks, dissertations, and research reports that address issues related to overhead cost claims, construction dispute resolution, and other legal aspects of construction contracts. All data was collected meticulously through systematic library research and tracing legal documents from various official and reputable legal databases.

Data analysis is conducted qualitatively by applying systematic and comprehensive legal interpretation (Irwansyah, 2021). Systematic interpretation is used to understand the interrelationships among various legal provisions, both in statutory regulations, contract clauses, and jurisprudence, thereby producing a complete understanding of each legal instrument's substance and legal implications. The interpretation results from various data sources are then critically synthesized to produce a comprehensive conceptual framework regarding the legal aspects of overhead cost claims within the context of the construction service industry in Indonesia.

RESULTS AND DISCUSSION

A. Legal Basis for Overhead Costs in Construction Contracts in Indonesia

The legal basis for overhead costs in construction contracts in Indonesia cannot be separated from the hierarchy of applicable laws and regulations, commencing with Law Number 2 of 2017. Although Article 47 of Law Number 2 of 2017 recognizes overhead costs as a legitimate cost component in Construction Work Contracts, this law does not provide a detailed, operational, and measurable definition of what constitutes overhead costs and how to calculate them. The absence of this comprehensive definition creates room for broad interpretation, which has the potential to cause disputes between parties in construction contracts. Therefore, an in-depth analysis of implementing regulations and other legal sources is required.

As an implementing regulation of Law Number 2 of 2017, Government Regulation Number 22 of 2020 attempts to provide further elaboration, although it does not fully address the issue of the definition and calculation of overhead costs. Government Regulation Number 22 of 2020 introduces the concept of "indirect costs," which includes various components that can be substantially categorized as overhead costs, such as project management, office operational, and contingency costs. The significance of Government Regulation Number 22 of 2020 lies in its recognition of the legality of overhead cost claims in the context of state administration, particularly for projects funded by the State Budget (APBN) or Regional Budget (APBD). However, this regulation still leaves room for interpretation regarding the limits and criteria for overhead costs that can be claimed.

Beyond national laws and regulations, construction contract practices in Indonesia also widely adopt international contract standards, especially the FIDIC Conditions of Contract. Clauses within FIDIC, particularly those governing Extension of Time and Variation, provide a more detailed and structured mechanism for submitting claims for additional overhead costs. The adoption of FIDIC creates harmonization with international practices and provides greater legal certainty for the parties, especially in large-scale and complex construction projects (Ilma et al., 2021). However, it should be noted that FIDIC is not a positive law in Indonesia, so its application must still refer to and not conflict with applicable laws and regulations.

In addition to statutory regulations and contract standards, the principles of civil law contained in the Civil Code also serve as a basis for assessing overhead cost claims (Wiraantaka et al., 2025). Several relevant fundamental principles include the principle of good faith in Article 1338 of the Civil Code, which requires honesty and fairness in the performance of contracts. Then, there is the principle of compensation for damages due to breach of contract (Articles 1243-1252 of the Civil Code), which allows the aggrieved party to claim compensation. In addition, the principle of force majeure in Articles 1244-1245 of the Civil Code can also be a basis for consideration in overhead cost claims related to events beyond the parties' control. The study by Nugroho and Hardjomuljadi (2022) reinforces the importance of regulations, including FIDIC, in minimizing claims due to differences in interpretation.

The complexity of this legal basis for overhead costs demands a comprehensive understanding from the parties involved in construction contracts. Harmonization between public law (Law Number 2 of 2017 and Government Regulation Number 22 of 2020) and private law (Civil Code and contract clauses), as well as between national law and international standards (FIDIC), is key to resolving overhead cost

claim disputes fairly and efficiently. Neglecting any of these legal aspects can result in inappropriate decisions and potentially harm one of the parties.

B. Types of Claimable Overhead Costs

Within construction contract law, distinguishing between the types of claimable overhead costs is not merely a technical classification. However, it has substantial legal implications for the rights and obligations of the parties. The ability to accurately identify, categorize, and substantiate overhead costs will determine the success of a claim and minimize the potential for disputes. Conceptually, claimable overhead costs are divided into three main categories, each with characteristics and evidentiary challenges.

The first category is home office overhead, which represents the overall operational costs of the contractor's company that are not directly related to a specific project. These costs include but are not limited to, central administrative staff salaries, head office rent, head office utility costs, and business development expenses. The main legal challenge in claiming home office overhead lies in proving proportionality; that is, how to allocate a fair and reasonable portion of home office overhead costs to be charged to the project experiencing delays or changes. Jurisprudence and international arbitration practice require using objective and verifiable calculation formulas, such as the Eichleay Formula or the Hudson Formula. Therefore, a strategic approach can avoid speculative and over-recovery claims (Matseke & Khatleli, 2021).

Next, site overhead represents indirect costs incurred at the project site but cannot be directly attributed to specific construction work items. Project overhead costs include the salaries of site supervisory staff, rental costs for temporary facilities (office, warehouse, project fencing), project security, and project insurance premiums. Although conceptually easier to associate with a specific project, site overhead claims can still trigger disputes, primarily related to cost classification. Differences in interpretation between project overhead costs and direct costs are often a source of contention, particularly in cases of variations in the scope of work. Therefore, a structured claim management approach is crucial, with a clear definition of the scope of project overhead in the contract (Mirzaee et al., 2023).

The third category, extended overhead, arises as a legal consequence of extending the project execution time. When a project experiences delays caused by compensable events, the contractor is entitled to claim additional overhead costs, both at the home office and project levels, incurred during the extension period (Indahwati et al., 2025). This extended overhead claim, legally, demands proof of a

strong causal relationship between the event causing the delay and the additional overhead costs incurred. Applying the "but for" doctrine – that the costs would not have arisen but for the event – becomes essential in analyzing the claim's viability. Praja (2023) underscores the crucial role of complete documentation and an in-depth understanding of policy conditions in risk management impacting these claims.

The legal implications of this categorization of overhead costs are highly significant in the construction dispute resolution process. Inaccuracies in identifying, classifying, and substantiating the overhead costs can result in rejection or a significant reduction in the claim value. Therefore, from a construction contract law perspective, a comprehensive understanding of the types of claimable overhead costs is a conditio sine qua non (indispensable condition) for successful claims and fair dispute resolution.

C. Legal Conditions Related to Overhead Cost Claims

In Indonesian construction contract law, overhead cost claims cannot be submitted arbitrarily but must be rooted in legal conditions specifically recognized as valid grounds for submitting a claim. These legal conditions, events or circumstances that affect the contract's performance determine the parties' rights and obligations regarding overhead costs. Doctrinally and practically, three prominent legal conditions can trigger overhead cost claims: wanprestasi (breach of contract), keadaan kahar (force majeure), and changes in condition (variation orders).

Wanprestasi, or breach of contract, is the most common legal condition underlying overhead cost claims. Article 1243 of the Civil Code expressly states that a party aggrieved by a breach of contract is entitled to claim compensation, which may include additional overhead costs in construction. Payment delays, interference with work, or failure to provide access to the project site are examples of breaches that often trigger overhead claims. However, it is important to emphasize that not all breaches automatically give rise to a right to claim overhead; jurisprudence requires a clear and demonstrable causal link between the breach and the overhead losses incurred, as affirmed in various Supreme Court decisions. Furthermore, in projects that adopt contract standards such as FIDIC, a balanced contract element and effective communication can minimise claim occurrence due to default (Abdelalim et al., 2024).

Keadaan kahar (force majeure), regulated in Articles 1244-1245 of the Civil Code, provides a different legal basis for overhead cost claims (Triwijaya et al., 2025). Force majeure refers to events beyond the control and power of the parties

that could not be reasonably anticipated and avoided and prevent the performance of contractual obligations. Events such as natural disasters, pandemics, or radical changes in government policy can be classified as force majeure. In force majeure, overhead cost claims are based not on one party's fault but on fairness and risk allocation principles. These claims aim to recover additional costs incurred during the force majeure period, not to claim damages for breach of contract. Modern interpretations of force majeure tend to be broad, but their proof still requires a strong causal link between the force majeure event and the additional overhead costs.

Changes in condition (variation orders), recognized under the principle of freedom of contract as regulated in Article 1338 of the Civil Code, constitute another legal condition that often triggers overhead cost claims. In construction practice, changes in the scope of work, whether additions or reductions, are common occurrences. The FIDIC Red Book 2017, as an example of a widely adopted contract standard, provides a detailed mechanism for regulating overhead cost claims arising from variation orders. However, legal debates often arise regarding the interpretation of variation order clauses, especially concerning whether a change truly falls outside the scope of the original work and whether the overhead costs claimed are proportional to the change.

These three legal conditions – wanprestasi, force majeure, and variation orders – require careful and specific proof. The burden of proof lies with the party making the claim, who must convincingly demonstrate that the relevant legal condition has been met, that the additional overhead costs arose directly from that condition, and that the claim amount is reasonable and justifiable. Risk analysis, including preventing unsubstantiated claims and identifying recurrent claim causes, is essential in construction contract management to ensure that overhead claims are not misused and that efficient dispute resolution can be achieved, especially in public projects (Antoniou & Tsioulpa, 2024).

D. Requirements for Submitting Overhead Cost Claims

In the realm of construction contract law, the success of an overhead cost claim depends not only on the existence of a legal condition justifying the claim (such as wanprestasi, force majeure, or variation order) but also on the fulfilment of a series of procedural and substantive requirements. These requirements, sourced from principles of civil law, contract provisions, and industry best practices, serve as control mechanisms to prevent unfounded claims, ensure fairness for the parties, and maintain the integrity of the dispute resolution process. Failure to meet these requirements can be fatal to the claim, making comprehensive understanding and strict compliance crucial.

One of the most fundamental requirements is the obligation to provide timely notice to the opposing party of an event or condition that may give rise to a claim. This obligation, rooted in the principle of good faith as regulated in Article 1338 of the Civil Code, requires the claiming party to act honestly, openly, and cooperatively. The notice serves not only as a formal notification but also as a manifestation of the principle of mitigating damages, which obliges the aggrieved party to take reasonable steps to minimize losses.

In practice, the timeframe and format of the notice are often explicitly regulated in the contract, for example, clause 20.1 of the FIDIC Red Book 2017, which sets a 28-day time limit for claim notification. However, jurisprudence tends to be more flexible, prioritizing the substance of the notice over its formality, as long as the opposing party is not prejudiced by the delay or formal deficiency in the notice (Pasinggi & Simanjuntak, 2024). The analogy with the notice obligation in the Indonesian bank guarantee mechanism, which requires the submission of documents within a certain period, also illustrates the importance of compliance with procedural requirements in transactions involving financial aspects (Thalib et al., 2023).

The following crucial requirement is providing complete, comprehensive, and relevant supporting documentation. The principle of proof in Indonesian civil procedural law burdens the party making the claim, who must be able to convince the judge or arbitrator of the truth of their arguments. In the context of overhead cost claims, this documentation includes but is not limited to, chronological event logs, correspondence between the parties (letters, emails, meeting minutes), proof of expenses (invoices, receipts, financial reports), work progress reports, and impact analysis on the project schedule.

Such documentation must not only be complete but also systematically and chronologically organized to facilitate the process of verification, validation, and cross-examination. Lack of adequate documentation or inconsistencies in the documentation may be grounds for the opposing party to reject the claim or reduce the claimed amount, considering the lack of information integration (Ali et al., 2022).

Furthermore, the methodology for calculating overhead cost claims must meet accountability, transparency, and reasonableness standards. The Civil Code's compensation principle mandates that the damages that can be claimed must be provable and calculated with certainty, not based on speculation or unfounded assumptions. Calculation formulas commonly used in the construction industry, such as the Eichleay Formula, the Hudson Formula, or the Emden Formula, are acceptable, provided they are applied consistently, transparently, and supported

by valid data. Courts and arbitration bodies in Indonesia are increasingly inclined to adopt international standards in assessing the feasibility of calculation methodologies, considering a rational approach (Jayalath, 2023).

Finally, and perhaps most crucially, is the requirement of causality. The claiming party must be able to prove a clear, direct, and unbroken causal link between the event or condition giving rise to the claim (wanprestasi, force majeure, or variation order) and the additional overhead costs incurred. The doctrine of causation in contract law requires the fulfilment of two elements: causation in fact (that the additional overhead costs would not have arisen "but for" the event) and causation in law (that the event is a sufficiently close and legally relevant cause of the loss incurred). Proving causality, left unaddressed, is often the most complex and debated issue in overhead cost claim disputes, which contribute to various project problems (Okereke et al., 2023). Thus, the study by Dastyar et al. (2018) emphasizes the need for understanding contract documents, causal factors, and management methods.

Cumulatively, fulfilling all these requirements – timely notice, complete and structured documentation, accountable calculations, and clear causality – constitutes a conditio sine qua non for the success of an overhead cost claim. Neglecting to meet any of these requirements, however small, can open a legal loophole for the opposing party to reject the claim or negotiate a less favourable settlement (Sebastian et al., 2025). Therefore, a deep understanding and strict adherence to these requirements are essential for any party involved in a construction contract, whether as a project owner, contractor, or consultant.

E. Calculation Methods for Overhead Cost Claims

In jurisprudence and construction contract law, debates regarding the calculation method for overhead cost claims often become the core issue in dispute resolution. More than just a technical or accounting matter, the selection and application of a calculation method for overhead cost claims have significant legal implications for the rights and obligations of the parties and, ultimately, for the amount of damages that can be claimed. In Indonesia, courts and arbitration bodies, although not rigidly bound to one particular method, tend to recognize and apply several calculation methods developed in international construction practice, with adjustments to national legal principles and the specific facts of each case (Wisatrioda et al., 2025).

The Eichleay Formula, born from the case of Eichleay Corporation v. United States (1960), is one of the most frequently referenced methods, especially in cases involving home office overhead claims due to project delays. This formula, which

allocates a portion of home office overhead costs to the delayed project based on the proportion of project revenue to total company revenue, has appeal because it appears objective and mathematical. However, applying the Eichleay Formula in Indonesia is not taken for granted from a legal perspective. Courts and arbitration tribunals will scrutinize, first, whether the contract specifically regulates or refers to the Eichleay Formula; second, whether the assumptions underlying the formula (for example, the contractor's inability to take on replacement projects) can be convincingly proven; and third, whether the application of the formula will result in reasonable and non-overcompensatory damages (exceeding the actual loss).

As an alternative to Eichleay, the Hudson Formula offers a more straightforward approach by calculating overhead as a percentage of the contract value. Although easy to apply, this formula has inherent weaknesses from a legal standpoint, namely its lack of sensitivity to fluctuations in actual overhead costs incurred during project implementation. In the context of Indonesian law, where the principle of compensation in the Civil Code requires a close relationship between the claimed loss and the breach that occurred, the Hudson Formula may be considered inadequate if not supported by substantial evidence that the percentage used does indeed reflect reasonable overhead costs relevant to the project.

The Emden Formula, which calculates overhead based on the percentage of profit and overhead stated in the contractor's initial bid, is seen as more aligned with the principle of compensation in the Civil Code. By focusing on expectation damages, that is, placing the contractor in the position as if the contract had been entirely performed, the Emden Formula strives to be more transparent to provide fairer and more proportional compensation (Likhitruangsilp et al., 2021). However, the legal challenge in applying the Emden Formula lies in proving that the overhead and profit percentages in the initial bid are realistic and justifiable and that no other factors affect overhead costs during project implementation.

On the other hand, the actual cost method, which requires the contractor to document and prove in detail each additional overhead expense caused by the compensable event, is often considered the ideal method from a legal perspective. This method best aligns with the principle of proof in civil procedural law, which requires concrete and convincing evidence for each argument presented to handle the claims (Sahu et al., 2024). However, applying the actual cost method can be very complex and costly, especially in large projects with long durations and many transactions.

Therefore, selecting the most appropriate method for calculating overhead cost claims in a specific case is a complex legal issue that demands careful

consideration of various factors. These factors include but are not limited to, explicit provisions in the contract, the availability and quality of supporting data, the characteristics and complexity of the project, relevant legal precedents (jurisprudence), applicable legal principles (especially the principles of compensation and good faith), and the balance between the cost of proof and the value of the claim (Matseke et al., 2022). Ultimately, as the enforcer of law and justice, the court or arbitration body has broad discretion to determine which method is most appropriate to achieve a fair, efficient, and legally sound resolution in each overhead cost claim dispute.

F. Dispute Resolution Mechanisms for Overhead Cost Claims

Within Indonesian construction contract law, disputes over overhead cost claims are often unavoidable, given the complexity of projects, inherent uncertainties, and the potential for differing interpretations between the parties. Law Number 2 of 2017 recognizes various dispute resolution mechanisms that can be pursued, broadly categorized into two main pathways: non-litigation (out-of-court) and litigation (through the courts). The selection of the appropriate mechanism, based on careful analysis of the dispute's characteristics, the parties' needs, and the legal and strategic implications of each mechanism, is a crucial step that will determine the effectiveness, efficiency, and fairness of the dispute resolution.

Mediation and conciliation, as forms of non-litigious dispute resolution, offer a more collaborative approach to maintaining good relations between the parties. In mediation, a neutral and independent mediator acts as a facilitator, assisting the parties in identifying the root causes of the problem, bridging differences, and formulating a mutually beneficial agreement (win-win solution). Conciliation is similar to mediation, but the conciliator can be more active in providing settlement proposals based on their expertise. The main advantages of mediation and conciliation lie in their flexibility, confidentiality, time and cost efficiency, and ability to generate creative and tailor-made solutions to the parties' specific needs through collaboration and knowledge integration (Awwad & Thabet, 2022). On the other hand, the Government has established the Construction Services Mediation Institution with mediation protocols that integrate technical and legal aspects, further strengthening mediation's relevance in construction disputes.

However, mediation and conciliation also have limitations. The success of mediation is highly dependent on the good faith and willingness of the parties to compromise. Mediation can reach a deadlock if one party insists on an unrealistic position or is unwilling to disclose relevant information. Furthermore, the outcome of mediation (a settlement agreement) does not have the same executory force as a

court or arbitration decision; if one party breaches the agreement, the other party must resort to legal action (litigation or arbitration) to enforce the agreement.

Arbitration, another form of out-of-court dispute resolution, offers a more formal and adjudicative alternative (based on a third-party decision) than mediation/conciliation. In arbitration, the parties submit their dispute to one or more arbitrators (arbitral tribunal) with expertise and experience in the construction field, who will examine the evidence, hear the parties' arguments, and issue a final and binding award. The advantages of arbitration, which is recognized in Law Number 30 of 1999, compared to litigation include confidentiality of the process, flexibility in determining the procedural rules, the ability to select expert arbitrators, and the speed of the process. In Indonesia, the Indonesian National Board of Arbitration (BANI) and the Indonesian Construction Arbitration and Alternative Dispute Resolution Board (BADAPSKI) are arbitration institutions with a reputation and experience in handling construction disputes, including overhead cost claims.

However, arbitration also has potential weaknesses. The cost of arbitration, especially for complex disputes involving international arbitrators, can be very high. Furthermore, although arbitral awards are final and binding, in some cases, there are legal loopholes to apply for the annulment of arbitral awards to the courts, although on minimal grounds. Although rarely successful, this annulment process can prolong the duration of dispute resolution.

Litigation, or dispute resolution through the courts, remains a relevant option in some situations. Cases that require authoritative judicial interpretation of statutory regulations or standard contract clauses, disputes involving fundamental legal issues and requiring the establishment of precedent, or disputes involving significant public interest are often more appropriately resolved through the courts. In addition, the courts have stronger powers in summoning witnesses, examining evidence, and enforcing decisions. However, litigation is known for its formal, rigid, time-consuming, and relatively high-cost processes. District Courts in Indonesia, although they have shown increased capacity in handling construction disputes, still face challenges regarding specialized expertise in the construction field and the speed of case resolution.

Thus, selecting the most appropriate dispute resolution mechanism for overhead cost claims is not a decision that can be made on a one-size-fits-all basis. Each mechanism has its advantages and disadvantages, which must be carefully considered in the context of each case. Relevant factors to consider include the dispute's complexity, the claim's value, the need for confidentiality, speed, and cost, the availability of experts, and the legal and strategic implications of each option.

Ultimately, the primary goal of any dispute resolution mechanism is to achieve substantive justice, legal certainty, and efficiency while upholding the principles of construction contract law and good faith.

CONCLUSIONS AND SUGGESTIONS

Based on the results and discussion, it can be concluded that overhead cost claims in construction contracts in Indonesia are a complex legal issue, demanding comprehensive understanding and a careful approach from substantial, procedural, and dispute resolution aspects. The substantial aspects of overhead cost claims encompass the legal basis, the types of claimable costs, and the legal conditions underlying the emergence of claims. The legal basis for overhead cost claims in Indonesia stems from the interaction between statutory regulations, construction contract standards (such as FIDIC), and jurisprudence. Not all overhead costs are claimable; only those that meet the criteria, such as proportional home office overhead, relevant project overhead, and extended overhead, have proven causality. Overhead cost claims are only valid if there is a justifying legal condition, namely wanprestasi, force majeure, or variation order, each with specific legal implications and evidentiary requirements.

The procedural aspects of overhead cost claims include the submission requirements and the accepted calculation methods. Overhead cost claims must be submitted in compliance with formal and substantial requirements: timely notice, complete and systematic supporting documentation, and accountable and verifiable calculations. Calculation methods for overhead cost claims, such as the Eichleay Formula, the Hudson Formula, the Emden Formula, or the actual cost method, must be selected and applied by contract provisions, data availability, project characteristics, and applicable legal principles, especially the principle of compensation in the Civil Code. Applying inappropriate or unsubstantiated calculation methods results in rejection or reduced claim value.

Selecting a dispute resolution mechanism is a crucial step in disputes over overhead cost claims. Mediation and conciliation are non-adversarial approaches that prioritize deliberation. Arbitration offers flexibility, confidentiality, and the specialized expertise of arbitrators in the construction field. Litigation remains relevant in some instances, especially those requiring authoritative judicial interpretation or involving public interest. No single mechanism is superior; the selection of a mechanism is based on a case-by-case analysis, taking into account the complexity of the dispute, the value of the claim, the needs of the parties, and the legal and strategic implications. The successful resolution of overhead cost claim disputes depends on a comprehensive understanding of all related legal aspects and the ability to build a solid legal argument and strong evidentiary support.

Based on the above conclusions, it is recommended that stakeholders in the construction service industry in Indonesia, especially parties to construction contracts, policymakers, and academics, pay attention to several important matters related to overhead cost claims. *First*, parties to construction contracts (project owners, contractors, consultants) are advised to improve their comprehensive understanding of the legal basis, the types of claimable overhead costs, the legal conditions that can trigger claims, the requirements for submitting claims, and the accepted calculation methods. This understanding is important to minimize the potential for disputes and ensure that claims are submitted in good faith, supported by substantial evidence and applicable legal principles. Implementing best practices in contract management, including drafting clear and detailed contract clauses regarding overhead costs, complete and systematic documentation, and open and transparent communication, is highly recommended.

Second, policymakers, particularly the Ministry of Public Works and Housing (PUPR), are recommended to improve regulations related to construction services, mainly by providing a more operational and measurable definition of overhead costs, standards for their calculation and substantiation, and more precise guidelines on dispute resolution for overhead cost claims. These regulatory improvements are expected to create greater legal certainty, reduce the room for differing interpretations, and encourage fairer and more efficient construction practices. In addition, consideration should be given to establishing a unique mediation or conciliation forum under the Ministry of PUPR that focuses on resolving overhead cost claim disputes involving construction contract law experts and construction technical experts.

Third, academics and researchers in contract and construction law are advised to continue conducting in-depth studies and research on overhead cost claims. Further research can be focused on developing overhead cost calculation models that are more adaptive to the characteristics of construction projects in Indonesia, comparative analysis of the effectiveness of various dispute resolution mechanisms, or formulating more specific policy recommendations to address the problems of overhead cost claims. The results of this research are expected to significantly contribute to the development of legal science, better construction practices, and fairer and more efficient dispute resolution.

Overall, handling overhead cost claims in construction contracts in Indonesia requires a holistic and collaborative approach from all stakeholders. By improving legal understanding, improving regulations, and developing best practices in contract management and dispute resolution, the potential for overhead cost claim disputes can be minimized, and the construction service industry in Indonesia can develop more sustainably and equitably.

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